

## **Amazon.com Unlawfully Billed Parents for Kids In-App Purchases**

Amazon.com, Inc. billed parents for millions of dollars for in-app charges made by their children without parental approval, the Federal Trade Commission (FTC) charged.

Amazon offers for sale and download apps, including games that children like to play, the FTC complaint alleged. Within the games are virtual items that are paid via the credit card that was linked to the app when the app was purchased from Amazon's Appstore. These "in-app charges" generally range from 99 cents to \$99.99 and may be incurred in unlimited amounts. Amazon keeps 30 percent of the in-app charges.

The complaint states that the charges began in November 2011. "Just weeks after Amazon began billing for in-app charges, consumer complaints about unauthorized charges by children on Amazon's mobile devices reached levels an Amazon Appstore manager described as 'near house on fire.'"

"When a user engages in an activity associated with an in-app charge (*e.g.*, clicking on a button to acquire virtual treats for use in a game), Amazon displays a popup containing information about the virtual item and the amount of the charge (the 'Charge Popup'). A child, however, can clear the Charge Popup simply by pressing a button labeled 'Get Item,'" the complaint stated. In an email, Amazon's in-app charge project manager observed, "We believe that parents are excluded from the buying process for these apps."

Apparently in response to complaints, in March 2012 Amazon began requiring a password to confirm the individual in-app charges exceeding \$20. "In deciding to change its framework for charges above \$20, Amazon's Appstore manager noted that 'it's much easier to get upset about Amazon letting your child purchase a \$99 product without any password protection than a \$20 product.' . . . Amazon did not implement a password requirement for in-app charges of \$20 and under," the complaint states.

"Amazon has received thousands of complaints related to unauthorized in-app charges by children in these and other games, amounting to millions of dollars of charges. In fact, by December 2011, the month after Amazon introduced in-app charges, an Appstore manager commented that 'we're clearly causing problems for a large percentage of our customers,' describing the situation as 'near house on fire.' Seven months later, in July 2012, the Appstore manager again described this issue as a 'house on fire' situation. Not until June 2014 did Amazon change its in-app charge framework to obtain account holders' informed consent for in-app charges on its newer mobile devices," the FTC said.

When parents discovered the charges and requested a refund, the FTC noted that they "faced significant hurdles to doing so. Amazon's stated policy is that all in-app charges are final. To the extent consumers have sought an exception to that stated policy, Amazon's process in

unclear and confusing, involving emails and web pages that do not explain how to seek a refund for in-app charges, or that suggest that consumers cannot obtain a refund for such charges.”

The FTC is seeking a permanent injunction against Amazon and refunds to consumers.

*Federal Trade Commission v. Amazon.Com, Inc.*, W.D. Wash. No. 14 CV 1038, filed July 10, 2014.